

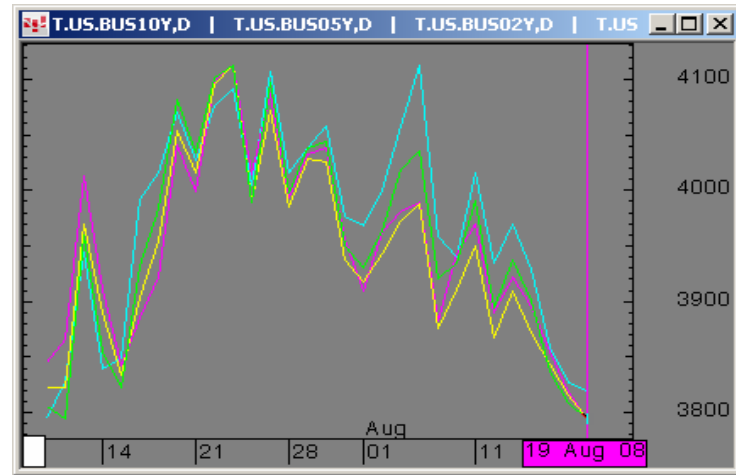


The Morning Email: Treasuries

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Daily Yield Curve



} Scale is for 10yr

Source: CQG, Inc. © 2008 All rights reserved worldwide Tue Aug 19 2008



Want something added? Let me know: jgoulding@ghco.com

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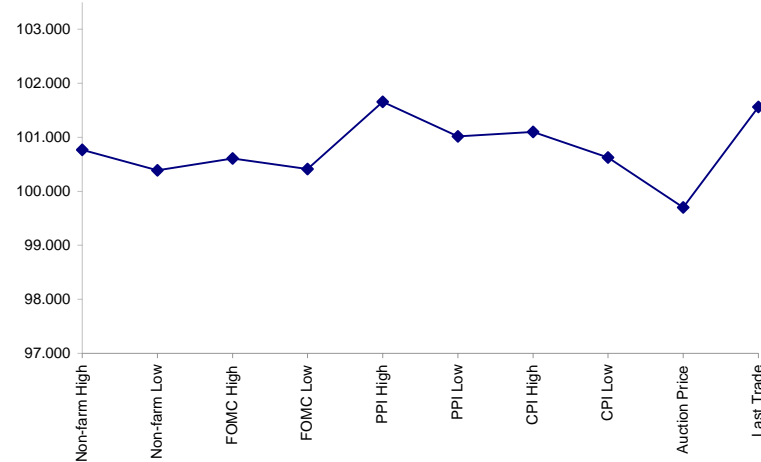
Economic Releases (32nds)

	5y	10y	ZNU8	ZBU8	Date
Non-farm High	100.2450	100.115	115.070	116.010	8/1/2008
Non-farm Low	100.1250	99.255	114.185	115.060	8/1/2008
FOMC High	100.1950	100.045	115.000	116.000	8/5/2008
FOMC Low	100.1325	99.245	114.200	115.085	8/5/2008
PPI High	101.2100	101.245	116.020	117.180	7/15/2008
PPI Low	101.0050	101.020	115.055	116.240	7/15/2008
CPI High	101.0325	101.010	115.305	117.055	8/14/2008
CPI Low	100.2000	100.090	115.060	115.310	8/14/2008
Auction Price	99.2252	99.124	na	na	
Last Trade	101.1800	101.215	116.180	118.025	8/19/2008 6:27

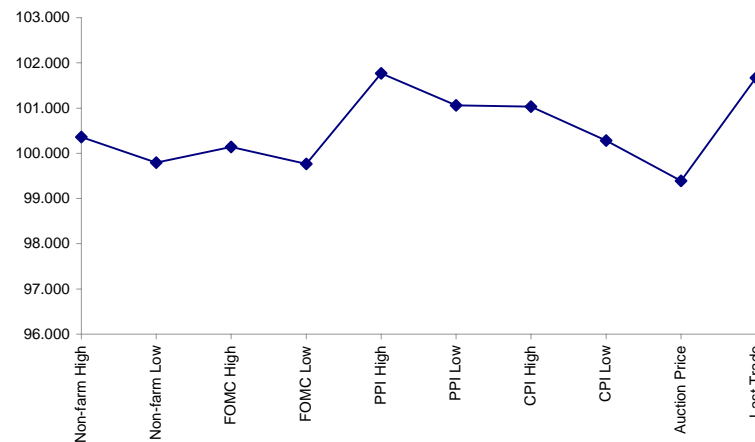
Auctions - 32nds

	2 y	5y	10y	30y
Auction Price	99.277	99.225	99.124	98.074
Auction Yield Stop	2.82	3.44	4.075	4.609
Actual Auction Date	7/23/2008	7/25/2008	8/6/2008	8/7/2008

5y (Decimal)



10y (Decimal)



Notes:

- 1) Cash and futures are adjusted for roll.
- 2) Release times are from release to 2pm cdt
- 3) {Jun08 to Sep08 Futures roll: ZF = (-27 3/4); ZN = (-49 1/2); ZB = (-30 1/2) [tics]}

Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAU8	106.145	0.020	106.152	106.122	106.122	47,954	2y Fut
FVAU8	112.167	0.055	112.175	112.102	112.105	50,832	5y Fut
TYAU8	116.180	0.055	116.205	116.115	116.120	77,656	10y Fut
USAU8	118.025	0.05	118.055	117.285	117.295	14,617	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.272	0.022	100.277	100.260	100.260	na	2y Cash
BUS05P	101.182	0.050	101.190	101.140	101.145	na	5y Cash
BUS10P	101.215	0.040	101.230	101.170	101.185	na	10y Cash
BUS30P	101.020	0.005	101.055	101.005	101.030	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	2.296	(0.034)	2.345	2.284	2.345	na	2y Yield
BUS05Y	3.029	(0.032)	3.068	3.022	3.068	na	5y Yield
BUS10Y	3.793	(0.016)	3.818	3.788	3.816	na	10y Yield
BUS30Y	4.432	(0.006)	4.443	4.426	4.44	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.20	5.24	\$1,639	10.49	n/a	30y
10y	8.19	2.66	\$833	5.33	n/a	10y
5y	4.52	1.51	\$471	6.03	n/a	5y
2y	1.88	0.61	\$190	2.44	n/a	2y
ZB	10.27	3.95	\$124	3.95	0.7937	ZB
ZN	6.65	2.50	\$78	5.00	0.8539	ZN
ZF	3.94	1.46	\$46	2.92	0.8912	ZF
ZT	1.80	0.62	\$19	2.46	0.9443	ZT

Yield Curve Spreads

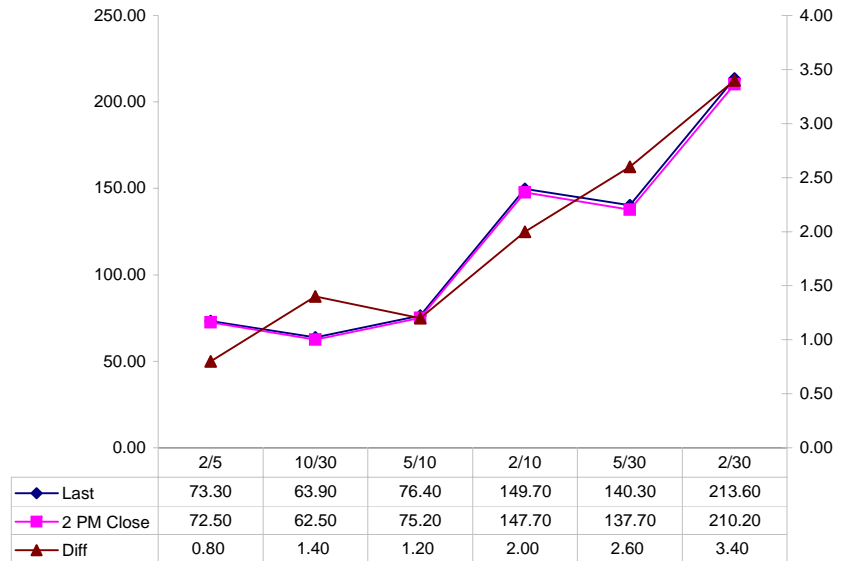
	Last	2pm close	Diff
2/5	73.30	72.50	0.80
10/30	63.90	62.50	1.40
5/10	76.40	75.20	1.20
2/10	149.70	147.70	2.00
5/30	140.30	137.70	2.60
2/30	213.60	210.20	3.40

DV01 32, said differently, is "how many TICS are in a basis point?".

Example, If ZN moves 1-basis point, then, it's moved 2.38 tics (Today, 06/25/08, the value in the box is 2.38).

Since ZN trades in half tics, then, 4.80 boxes = 1 basis point in ZN. (Again, today, 08/07/08, the value in the box is 4.80). Of course the values will be different as you look at this. But, they won't be that much different. So, I think you can get the idea I'm trying to get across.

Curve Spreads vs 2pm close



Notes

CF = Conversion Factor

MDuration = Modified Macaulay Duration

MDuration & DV01s for Futures are based on proxy issue (CTD)

DV01 Box = Dollar Value of 1 basis point move per Box

US Financial Futures / Eurex Bond

	ZB	ZN	ZF	ZT
Bund (U)	1.033	1.660	2.770	3.180
Bobl (U)	0.563	0.948	1.550	2.000
Shatz (U)	0.248	0.431	0.599	0.686

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.596	2.734	3.237
ZN	0.626		1.713	2.028
ZF	0.366	0.584		1.184
ZT	0.302	0.481	0.824	

Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		1.8	4.6
Bobl (H)	0.6		2.6
Shatz (H)	0.2	0.4	

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.53	3.78	6.68	13.15
ZN	2.44	6.04	10.67	20.99
ZF	4.17	10.34	18.27	35.95
ZT	4.94	12.24	21.63	42.56

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (U)	1.5	3.7	6.6	12.8
Bobl (U)	2.8	6.7	12.0	23.3
Shatz (U)	7.2	17.1	30.7	59.7

US Treasuries

	2y	5y	10y	30y
2y		2.477	4.376	8.613
5y	0.388		1.767	3.477
10y	0.219	0.566		1.968
30y	0.111	0.288	0.508	

Note: If you are looking at a matrix with Eurex products then those ratios are pulled from Bloomberg and are static. Meaning, I only update them once in a while but always on rolls. I calculate the other matrices, with US products, everyday

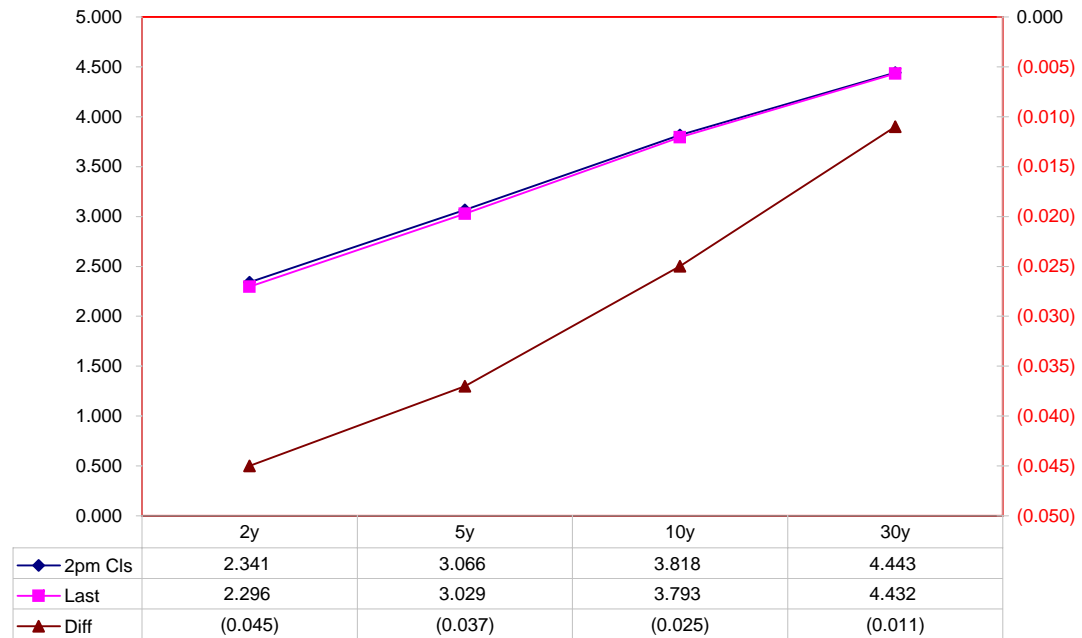
Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis			Close 32	Last	
							Close	Last	Roll			
2y	2.750	7/31/10	100.2475	2.341	2.296	(0.045)	10.12	10.44		106.1225	106.1450	TUAU8
5y	3.375	7/31/13	101.1300	3.066	3.029	(0.037)	40.91	41.06		112.1125	112.1670	FVAU8
10y	4.000	8/15/18	101.160	3.818	3.793	(0.025)	67.65	68.45		116.125	116.180	TYAU8
30y	4.500	5/15/38	100.300	4.443	4.432	(0.011)	234.97	235.50		117.295	118.025	USAU8

Curve Spreads

	Close bps	Last bps
2/5	72.5	73.3
5/10	75.2	76.4
10/30	62.5	63.9
2/10	147.7	149.7
5/30	137.7	140.3
2/30	210.2	213.6

US Treasuries Last v 2pm Close



Notes:

Basis = (Cash Decimal - (Futures Decimal * CF))*32

MDuration for Curve Spreads:

Longer duration minus shorter duration

32 = price is quoted in 32nds

What is this? (1):
 2yr cash has X% duration of 5yr cash.

Cash Duration Matrix

	2	5	10	30
2	100%			
5	42%	100%		
10	23%	55%	100%	
30	11%	28%	50%	100%

What is this? (2):
 - 2yr cash has DV01 of X\$.
 - Multiply the 2yr DV01 by the percent duration to come up with what the 2yrs DV01 SHOULD be compared to the 5yr.

Cash Matrix [DV01 x Duration]

	2	5	10	30
2	\$190			
5	\$196	\$471		
10	\$192	\$460	\$833	
30	\$187	\$448	\$812	\$1,627

What is this? (3):
 - Now you can see the over/under value, based on the DV01, from contract to contract. In this example we are looking at the 2yr compared to the 5yr.

Cash Matrix [DV01 over / (under) valued]

	2	5	10	30
2				
5	(\$6)			
10	(\$1)	\$11		
30	\$3	\$23	\$21	

Or you can look at the over/under value as a percentage instead of dollar terms

Cash Matrix [DV01 over / (under) as %]

	2	5	10	30
2				
5	-3.08%			
10	-0.71%	2.45%		
30	1.87%	5.11%	2.60%	

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.99	2.45	4.33	8.45
ZF	0.42	1.03	1.83	3.57
ZN	0.25	0.62	1.10	2.16
ZB	0.15	0.38	0.67	1.32

	2y	5y	10y	30y
2y		2.48	4.38	8.55
5y	0.40		1.77	3.45
10y	0.23	0.57		1.95
30y	0.12	0.29	0.51	

	ZT	ZF	ZN	ZB
ZT		2.37	3.92	6.41
ZF	0.42		1.66	2.71
ZN	0.26	0.60		1.64
ZB	0.16	0.37	0.61	

Box for Box Matrix

	2y	5y	10y	30y
ZT	0.99	2.45	8.65	16.90
ZF	0.42	1.03	3.65	7.14
ZN	0.50	1.25	1.10	2.16
ZB	0.62	0.76	1.35	1.32

	2y	5y	10y	30y
2y		2.48	2.19	4.27
5y	0.40		0.44	1.73
10y	0.46	2.26		1.95
30y	0.23	0.58	0.51	

	ZT	ZF	ZN	ZB
ZT		2.37	7.84	12.83
ZF	0.42		1.66	5.42
ZN	0.13	0.60		1.64
ZB	0.08	0.18	0.61	

	Libor\$ ¹	Repo Rt ⁶			
0/N	2.169	2.050			
1week	2.392	2.050			
2week	2.442	2.050			
	Libor\$ ¹	Tbill	CP ²		
1M	2.471	1.738	2.490		
3M	2.811	1.805	2.780		
6M	3.134	1.999	3.050		
	TSY	Swp	Swp Rate ⁵	ED Pks ³	TSY - ED Pk ⁴
2y	2.295	105.50	3.35	3.805	1.510
5y	3.030	105.00	4.08	4.793	1.763
10y	3.797	77.00	4.57	#VALUE!	#VALUE!

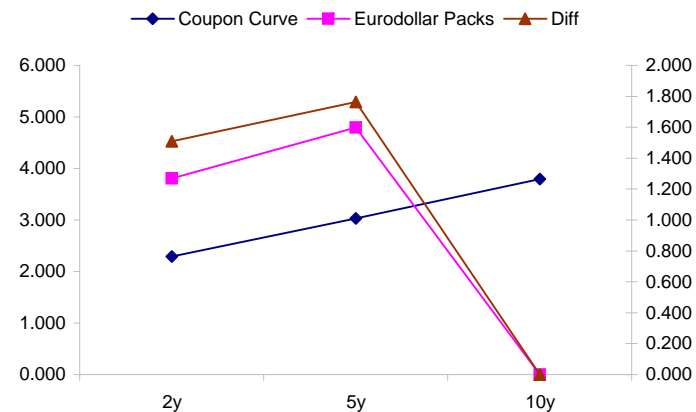
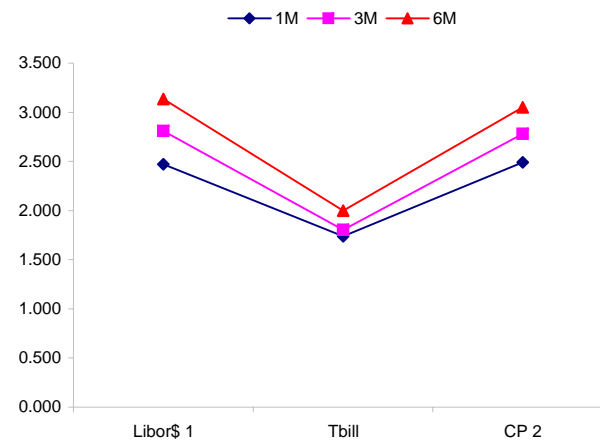
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
73.5	98.9	25.3
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
150.2	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
76.7	#VALUE!	#VALUE!

Red pack / Blue pack is a 2/5 proxy
 Red pack / Gold pack is a 2/10 proxy
 Blue pack / Gold pack is a 5/10 proxy

"Swap spreads are essentially a measure of the difference between buying a safe government bond and making a riskier loan to a bank"
 --WSJ

Notes:

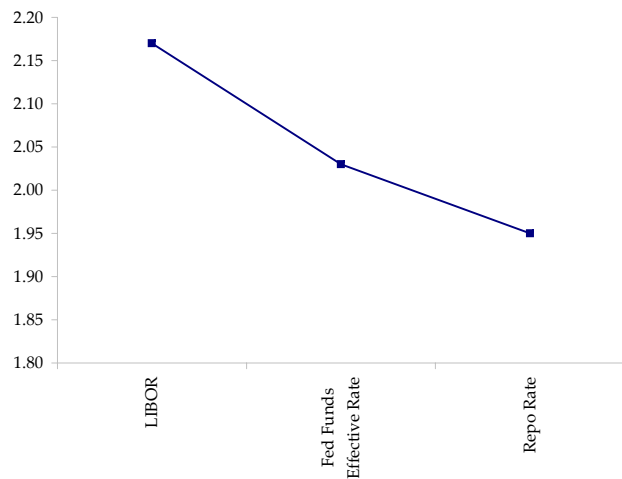
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight General Collateral



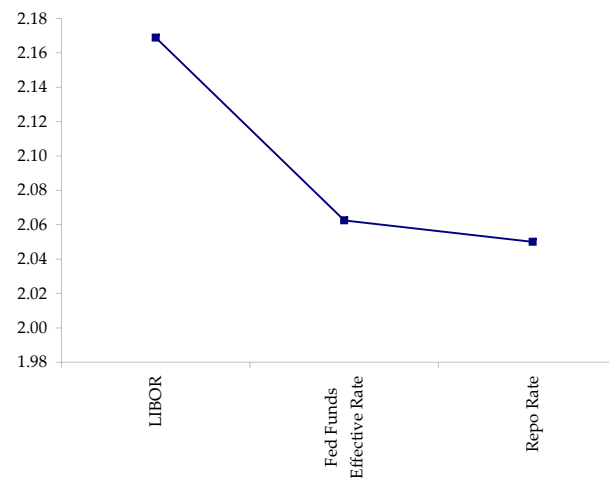
	Last	Chng	Term	Asset Type
USDLIBON	2.169	(0.0225)	Overnight	LIBOR
TUSFFRON	2.063	0.2500	Overnight	Fed Funds Effective Rate
TUSRPOON	2.050	0.0000	Overnight	Repo Rate
TEONIA01M	4.304	0.0020	1 month	Euribor OIS Rate
TEONIA03M	4.324	0.0010	3 month	Euribor OIS Rate
TSONIA01M	5.019	(0.0030)	1 month	Sterling OIS Rate
TSONIA03M	4.993	(0.0080)	3 month	Sterling OIS Rate
TUSOIS01M	2.007	0.0040	1 month	USD OIS Rate
TUSOIS03M	2.034	0.0020	3 month	USD OIS Rate

Example, below

Overnight Rates -EXAMPLE



Overnight Rates



←
A 'normal' lending curve looks like the chart to the left. That is, the Libor should be a bit higher than Fed Funds Effective rate (FFER), and the FFER should be a bit higher than the Repo Rate.